OAO NOVATEK

IFRS CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

AS OF AND FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2005

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REVIEW REPORT OF AUDITORS

To the shareholders and directors of OAO NOVATEK

1. We have reviewed the accompanying consolidated interim condensed balance sheet of OAO NOVATEK and its subsidiaries (the "Group") as of 30 September 2005, the related consolidated interim condensed statements of income for the three and nine months then ended, and the related consolidated interim condensed statements of cash flows and of changes in shareholders' equity for the nine months then ended. This consolidated interim condensed financial information as set out on pages 4 to 19 is the responsibility of the Group's management. Our responsibility is to issue a report on this consolidated interim condensed financial information based on our review.

2. We conducted our review in accordance with the International Standard on Review Engagements 2400. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the consolidated interim condensed financial information is free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

3. Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim condensed financial information has not been properly prepared, in all material respects, in accordance with International Accounting Standard No. 34, *Interim Financial Reporting*.

PricewaterhouseCoopers

Moscow, Russian Federation
11 November 2005

OAO NOVATEK
Consolidated Interim Condensed Balance Sheets (unaudited)
(in millions of Russian roubles)

	Notes	30 September 2005	31 December 2004
ASSETS			
Non-current assets			
Property, plant and equipment, net	6	64,083	62,449
Other non-current assets		1,571	1,090
Investments in associates		-	1,945
Long-term loans receivable		101	7,832
Total non-current assets		**65,755**	**73,316**
Current assets			
Prepayments and other current assets		2,511	1,039
Inventories		1,246	929
Trade and other receivables		4,072	3,456
Short-term loans receivable		158	707
Cash and cash equivalents		5,695	3,003
Total current assets		**13,682**	**9,134**
Total assets		**79,437**	**82,450**
LIABILITIES AND EQUITY			
Non-current liabilities			
Long-term debt	8	1,428	13,232
Deferred income tax liability		8,500	8,855
Other non-current liabilities		1,332	1,188
Total non-current liabilities		**11,260**	**23,275**
Current liabilities			
Short-term debt and current portion of long-term debt	7	10,124	10,768
Other taxes payable		800	1,280
Income taxes payable		70	228
Trade payables and accrued liabilities		1,568	1,963
Total current liabilities		**12,562**	**14,239**
Total liabilities		**23,822**	**37,514**
Equity attributable to Group shareholders			
Ordinary share capital		393	393
Additional paid-in capital		29,861	29,797
Asset revaluation surplus		5,345	5,345
Retained earnings		19,735	8,952
Total equity attributable to Group shareholders		**55,334**	**44,487**
Minority interest		**281**	**449**
Total equity		**55,615**	**44,936**
Total liabilities and equity		**79,437**	**82,450**

The accompanying notes are an integral part of this consolidated interim condensed financial information.

Approved and authorized for issue on behalf of the Board of Directors:

L. Mikhelson
General Director

M. Gyetvay
Financial Director

OAO NOVATEK
Consolidated Interim Condensed Statements of Income (unaudited)
(in millions of Russian roubles, except share and per share amounts)

	Notes	Three months ended 30 September: 2005	Three months ended 30 September: 2004	Nine months ended 30 September: 2005	Nine months ended 30 September: 2004
Revenues					
Oil and gas sales	4	9,869	4,816	27,638	15,163
Oil and gas construction services		-	-	-	2,053
Sales of polymer and insulation tape		278	158	714	432
Other revenues		113	53	282	433
Total revenues		**10,260**	**5,027**	**28,634**	**18,081**
Net gain (loss) on disposal of investments in oil and gas producing associates	11	-	(22)	3,611	(22)
Net gain on disposal of construction services and other subsidiaries and associates	11	-	341	20	79
Other income (loss)		(18)	62	(25)	102
Total revenues and other income		**10,242**	**5,408**	**32,240**	**18,240**
Operating expenses					
Transportation expenses	5	(1,876)	(887)	(5,191)	(2,865)
Taxes other than income tax	9	(1,216)	(373)	(3,264)	(1,061)
Materials, services and other		(1,064)	(383)	(2,714)	(3,537)
Depreciation, depletion and amortization		(943)	(294)	(2,607)	(768)
Purchases of oil, gas condensate and natural gas		(406)	(1,070)	(1,772)	(4,044)
General and administrative expenses		(625)	(402)	(1,465)	(1,001)
Exploration expenses		(19)	(35)	(301)	(138)
Net impairment (expense) reversal		(65)	125	(110)	70
Total operating expenses		**(6,214)**	**(3,319)**	**(17,424)**	**(13,344)**
Profit from operations		**4,028**	**2,089**	**14,816**	**4,896**
Finance income (expense)					
Foreign exchange gain (loss)		57	(37)	(206)	(20)
Interest income		148	107	612	303
Interest expense		(283)	(142)	(914)	(358)
Total finance income (expense)		**(78)**	**(72)**	**(508)**	**(75)**
Share of net income of associates		-	229	143	721
Profit before income tax		**3,950**	**2,246**	**14,451**	**5,542**
Income tax expense					
Current income tax expense		(1,398)	(368)	(4,334)	(1,215)
Deferred income tax benefit (expense)		303	(129)	646	(205)
Total income tax expense		**(1,095)**	**(497)**	**(3,688)**	**(1,420)**
Profit for the period		**2,855**	**1,749**	**10,763**	**4,122**
Profit (loss) attributable to:					
Minority interest		(20)	6	(35)	61
Shareholders of OAO NOVATEK		**2,875**	**1,743**	**10,798**	**4,061**
Basic and diluted earnings per share (in Russian roubles)		947	776	3,556	1,807
Weighted average shares outstanding		3,036,306	2,247,030	3,036,306	2,247,030

The accompanying notes are an integral part of this consolidated interim condensed financial information.

OAO NOVATEK
Consolidated Interim Condensed Statements of Cash Flows (unaudited)
(in millions of Russian roubles)

	Nine months ended 30 September:	
	2005	**2004**
Profit before income tax	**14,451**	**5,542**
Adjustments to profit before income tax:		
Depreciation, depletion and amortization	2,607	768
Net increase (decrease) in impairment provisions	110	(70)
Net unrealized foreign exchange loss	206	13
Net gain on disposals	(3,606)	(157)
Interest expense	914	358
Interest income	(612)	(303)
Share of income from associates	(143)	(721)
Other	64	-
Working capital changes		
Increase in trade and other receivables, prepayments and other current assets	(1,607)	(36)
Decrease (increase) in inventories	(361)	50
Increase in trade payables and accrued liabilities	130	100
Increase (decrease) in other taxes payable	259	(403)
Total effect of working capital changes	(1,579)	(289)
Income taxes paid	(5,276)	(1,751)
Net cash provided by operating activities	**7,136**	**3,390**
Cash flows from investing activities		
Purchases of property, plant and equipment	(3,370)	(4,703)
Acquisition of additional shares in subsidiaries and associates	(53)	(231)
Proceeds from disposal of subsidiaries and associates	5,668	300
Interest paid and capitalized	(538)	(393)
Short and long-term loans provided	(250)	(2,898)
Repayment of short and long-term loans	8,085	1,557
Non-banking interest received	596	274
Net cash provided by (used for) investing activities	**10,138**	**(6,094)**
Cash flows from financing activities		
Proceeds from long-term borrowings	2,057	4,118
Proceeds from short-term borrowings	2,753	2,959
Repayments of long-term borrowings	(11,186)	(977)
Repayments of short-term borrowings	(6,810)	(2,439)
Non-banking interest paid	(618)	(276)
Dividends paid	(777)	(565)
Net cash provided by (used for) financing activities	**(14,581)**	**2,820**
Net effect of exchange rate on cash and cash equivalents	(17)	-
Net movements in restricted cash accounts	16	50
Net increase in cash and cash equivalents	**2,692**	**166**
Cash and cash equivalents at the beginning of the reporting period	3,003	1,618
Cash and cash equivalents at the end of the reporting period	**5,695**	**1,784**

The accompanying notes are an integral part of this consolidated interim condensed financial information.

OAO NOVATEK
Consolidated Interim Condensed Statements of Changes in Equity (unaudited)
(in millions of Russian roubles, unless otherwise stated)

	Number of ordinary shares	Ordinary share capital	Additional paid in capital	Asset revaluation surplus	Retained earnings	Equity attributable to Group shareholders	Minority interest	Total equity
For the nine months ended 30 September 2004								
31 December 2003	**2,247,030**	**314**	**5,963**	**-**	**5,268**	**11,545**	**468**	**12,013**
Profit for the period	-	-	-	-	4,061	4,061	61	4,122
Dividends	-	-	-	-	(565)	(565)	-	(565)
Distribution to shareholders	-	-	(29)	-	-	(29)	-	(29)
Impact of disposals and acquisitions on minority interest	-	-	-	-	-	-	7	7
30 September 2004	**2,247,030**	**314**	**5,934**	**-**	**8,764**	**15,012**	**536**	**15,548**
For the nine months ended 30 September 2005								
31 December 2004	**3,036,306**	**393**	**29,797**	**5,345**	**8,952**	**44,487**	**449**	**44,936**
Cumulative effect of adoption of IFRS 3, *Business Combinations* (Note 3)	-	-	-	-	762	762	-	762
31 December 2004, as restated for adoption of IFRS 3, *Business Combinations*	**3,036,306**	**393**	**29,797**	**5,345**	**9,714**	**45,249**	**449**	**45,698**
Profit for the period	-	-	-	-	10,798	10,798	(35)	10,763
Dividends	-	-	-	-	(777)	(777)	-	(777)
Share-based compensation funded by shareholders	-	-	64	-	-	64	-	64
Impact of disposals and acquisitions on minority interest	-	-	-	-	-	-	(133)	(133)
30 September 2005	**3,036,306**	**393**	**29,861**	**5,345**	**19,735**	**55,334**	**281**	**55,615**

The accompanying notes are an integral part of this consolidated interim condensed financial information.

(in Russian roubles (tabular amounts in millions), unless otherwise stated)

1 ORGANISATION AND PRINCIPAL ACTIVITIES

OAO NOVATEK (hereinafter referred to as "NOVATEK") and its subsidiaries (hereinafter jointly referred to as the "Group") is an independent oil and gas company engaged in the acquisition, exploration, development, production and processing of hydrocarbons with its core oil and gas operations located in the Yamal-Nenets Autonomous Region ("YNAO").

In June 2004, the Group disposed of its oil and gas construction services segment (the "disposed segment") to focus its activities on oil and gas exploration and production. The disposed segment's activities primarily consisted of drilling services and construction of oil and gas infrastructure and facilities for related and external parties within the Russian Federation. For the nine months ended 30 September 2004, the disposed segment recognized revenues, total operating expenses, and loss of RR 2,186 million, RR 2,194 million, and RR 39 million, respectively. The sale of the segment resulted in the recognition of a net loss of RR 296 million. Basic and diluted loss per share for discontinued operations amounted to RR 149 per share, including RR 132 per share representing the loss on disposal.

In December 2004, the Group acquired controlling stakes in two of its primary equity affiliates, OAO NK Tarkosaleneftegas ("Tarkosaleneftegas") and OOO Khancheyneftegas ("Khancheyneftegas") (collectively the "acquired subsidiaries"). Following the acquisition, the Group's ownership in these subsidiaries increased to 100 percent.

As a result of the sale of the disposed segment and the purchase of the acquired subsidiaries, the Group's results of operations for the nine months ended 30 September 2005 differ significantly from those of prior periods. Most notably, prior to the acquisition, a significant proportion of the hydrocarbon production of Tarkosaleneftegas and all of the production of Khancheyneftegas was previously purchased by the Group and then sold on to third parties. Accordingly, in prior periods, the Group's statements of income included purchases from the acquired subsidiaries. Following the acquisition, the Group consolidated the activities of the acquired subsidiaries and, accordingly, all intragroup transactions have been eliminated.

Moreover, in prior periods, the Group included those activities of the disposed segment to the extent the disposed segment provided services to third parties. Beginning in July 2004, the Group no longer included such operations and any oil and gas drilling and construction services purchased from third parties are either capitalized to property, plant and equipment or expensed within materials, services and other, as appropriate.

The Group's natural gas sales fluctuate on a seasonal basis due mostly to Russian weather conditions, with sales peaking in December and dipping in the summer months of July and August.

This unaudited consolidated interim condensed financial information reflects the financial position and results of operations of the principal subsidiaries listed below, all of which are incorporated in the Russian Federation:

	Percentage of total share capital at:			
Subsidiary	**30 September 2005**	**31 December 2004**	**30 September 2004**	**31 December 2003**
Oil and gas exploration and production				
Tarkosaleneftegas	100.0%	100.0%	32.2%	32.2%
OOO Yurkharovneftegas	100.0%	100.0%	100.0%	100.0%
Khancheyneftegas	100.0%	100.0%	43.0%	43.0%
OAO Purneftegasgeologiya	80.6%	78.0%	69.6%	79.6%
Construction services				
OAO SNP NOVA	-	-	-	74.3%
OOO Novafininvest	-	-	-	99.0%
Banking				
ZAO NOVA Bank	-	62.0%	62.0%	88.6%
Polymer and insulation tape production				
OAO NOVATEK-Polymer	99.2%	97.9%	97.9%	52.2%

(in Russian roubles (tabular amounts in millions), unless otherwise stated)

1 ORGANISATION AND PRINCIPAL ACTIVITIES (CONTINUED)

In May 2005, the Group disposed of its equity stake in NOVA Bank to ZAO Levit ("Levit"), a Group shareholder (see Note 11), and merged Khancheyneftegas into Tarkosaleneftegas, after converting Tarkosaleneftegas from an open joint stock company to a limited liability company.

The Group's respective interests in its principal associates were as follows:

	Percentage of total share capital at:			
Associate	**30 September 2005**	**31 December 2004**	**30 September 2004**	**31 December 2003**
OOO Geoilbent ("Geoilbent")	-	66.0%	66.0%	66.0%
OOO Tambeyneftegas ("Tambeyneftegas")	-	25.1%	25.1%	25.1%

In June 2005, the Group disposed of its 66 percent participation interest in Geoilbent and its 25.1 percent interest in Tambeyneftegas (see Note 11).

2 BASIS OF PRESENTATION

The consolidated interim condensed financial information has been prepared in accordance with International Accounting Standard No. 34, *Interim Financial Reporting* ("IAS 34"). This consolidated interim condensed financial information should be read in conjunction with NOVATEK's consolidated financial statements as of and for the year ended 31 December 2004 prepared in accordance with International Financial Reporting Standards ("IFRS"). The 31 December 2004 consolidated balance sheet data has been derived from the audited financial statements.

Use of estimates. The preparation of consolidated interim condensed financial information in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements preparation and the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities during the reporting period. Estimates have principally been made in respect to fair values of assets and liabilities, impairment provisions and deferred income taxes. Actual results may differ from such estimates.

Exchange rates, restrictions and controls. The official rate of exchange of the Russian rouble to the US dollar ("USD") at 30 September 2005 and 31 December 2004 was 28.50 and 27.75 Russian roubles to USD 1.00, respectively. Any translation of Russian rouble amounts to US dollars or any other hard currency should not be construed as a representation that such Russian rouble amounts have been, could be, or will in the future be converted into hard currency at the exchange rate shown or at any other exchange rate.

3 ACCOUNTING POLICIES

Except as discussed below, the principal accounting policies followed by the Group are consistent with those disclosed in the financial statements for the year ended 31 December 2004.

New accounting developments. In December 2003, the International Accounting Standards Board ("IASB") released 15 revised International Accounting Standards ("IAS's") and withdrew one IAS standard. In 2004, the IASB published five new standards, two revisions and two amendments to existing standards. In addition, the International Financial Reporting Interpretations Committee ("IFRIC") issued six new interpretations in 2004. Significant changes relevant to the Group are discussed below.

The revisions to IAS 1, *Presentation of Financial Statements*, clarify certain presentation requirements. Most significantly, the revised standard requires that minority interest be presented separately within equity. The Group has retroactively reflected the revised presentation standard for equity in the consolidated interim condensed financial information.

IAS 24, *Related Party Disclosures*, as revised, requires the disclosure of compensation of key management personnel and clarifies that such personnel include non-executive directors.

3 ACCOUNTING POLICIES (CONTINUED)

Other revised and amended standards effective on 1 January 2005 are as follows: IAS 2, *Inventories*; IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*; IAS 10, *Events after the Balance Sheet Date*; IAS 16, *Property, Plant and Equipment*; IAS 17, *Leases*; IAS 19, *Employee Benefits*; IAS 21, *The Effects of Changes in Foreign Exchange Rates*; IAS 27, *Consolidated and Separate Financial Statements*; IAS 28, *Investments in Associates*; IAS 31, *Investments in Joint Ventures*; *IAS* 32, *Financial Instruments: Disclosure and Presentation*; IAS 33, *Earnings per Share*; IAS 36, *Impairment of Assets* (also effective for business combinations occurring on or after 31 March 2005); IAS 38, *Intangible Assets* (also effective for business combinations occurring on or after 31 March 2005); and IAS 39, *Financial Instruments: Recognition and Measurement*. The adoption of these revised and amended standards has not had a material effect on the Group's financial position, statements of income or of cash flows.

Other new standards and interpretations early adopted by the Group on 1 January 2005 are as follows: IAS 19 (amended), *Employee Benefits*, IFRS 4, *Insurance Contracts*; IFRIC 3, *Emission Rights*; IFRIC 4, *Determining whether an Arrangement contains a Lease*; IFRIC 5, *Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds* and IFRIC Amendment to SIC-12. The adoption of these standards did not have a material impact on the Group's financial position, statements of income or of cash flows.

In 2005, the IASB published IFRS 7 *Financial Instruments: Disclosures* and a complementary Amendment to IAS 1 Presentation of Financial Statements – *Capital Disclosures.* The IFRS introduces new requirements to improve the information on financial instruments that is given in entities' financial statements. It replaces IAS 30 *Disclosures in the Financial Statements of Banks and Similar Financial Institutions* and some of the requirements in IAS 32 *Financial Instruments: Disclosure and Presentation*. The Amendment to IAS 1 introduces requirements for disclosures about shareholders' equity. In addition, IFRIC published IFRIC 6, *Liabilities Arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment*, giving guidance on the accounting for liabilities for waste management costs and withdrew IFRIC 3 *Emission Rights.* IFRS 7 and IFRIC 6 are applicable for annual periods beginning on or after 1 January 2007 and 1 December 2005, respectively. Management is currently assessing the date and effect of the adoption of these standards and interpretation on the Group.

Accounting policies significant to the Group that were adopted or modified on 1 January 2005 are discussed below.

Share based payments. The Group accounts for share-based payments in accordance with IFRS 2, *Share-based Payment* ("IFRS 2"). The fair value of the employee services received in exchange for the grant of the equity instruments is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the instruments granted. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised. For transactions with parties other than employees, the Group accounts for the transaction based upon the fair value of goods or services provided, unless the fair values are not reliably estimable. The adoption of IFRS 2 did not have a material effect on the Group as the Group had no outstanding share-based awards at 1 January 2005.

For share-based payments made to employees by shareholders, an increase to additional paid in capital is recorded equal to the associated compensation expense each period.

Business combinations. The Group accounts for business combinations in accordance with the provisions of IFRS 3, *Business Combinations* ("IFRS 3"). IFRS 3 applies to accounting for business combinations where the agreement date is on or after 31 March 2004. Upon acquisition, the Group initially measures both its share and the share of any minority shareholders in the acquiree's identifiable assets, liabilities and contingent liabilities at their fair values as at the acquisition date. For business combinations where the agreement date is on or after 31 March 2004, goodwill is not amortized but rather tested for impairment annually at the cash generating unit level unless an event occurs during the year which requires the goodwill to be tested more frequently. Intangibles with indefinite useful lives acquired in those business combinations are not amortized and are tested annually for impairment to ensure the carrying value does not exceed the recoverable amount regardless of whether an indicator of impairment is present.

(in Russian roubles (tabular amounts in millions), unless otherwise stated)

3 ACCOUNTING POLICIES (CONTINUED)

The Group applied the transitional rules of IFRS 3 in respect of goodwill and negative goodwill arising from business combinations for which the agreement date was before 31 March 2004. Consequently, beginning 1 January 2005, previously recognized goodwill is no longer amortized and is tested for impairment in accordance with IAS 36, *Impairment of Assets*, and, on 1 January 2005, previously recognized negative goodwill of RR 762 million was derecognized with a corresponding adjustment to the opening balance of retained earnings.

Non-current assets held for sale and discontinued operations. The Group accounts for non-current assets held for sale and discontinued operations in accordance with IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*. IFRS 5 replaced IAS 35, *Discontinuing Operations*. Assets or disposal groups that are classified as held for sale are presented separately on the balance sheet and are carried at the lower of the carrying amount or fair value less costs to sell. Additionally, the results of discontinued operations are shown separately on the face of statement of income. The adoption of IFRS 5 did not have a material effect on the Group.

On 1 January 2005, the Group early adopted IFRS 6, *Exploration for and Evaluation of Mineral Resources.* This standard provides guidance on accounting for costs incurred in the exploration for and evaluation of mineral resources. Adoption of the standard did not have a material effect on the Group and did not require changes of the Group's accounting policies.

4 OIL AND GAS SALES

	Three months ended 30 September:		Nine months ended 30 September:	
	2005	**2004**	**2005**	**2004**
Gas sales	5,481	2,583	16,873	9,173
Crude oil sales	494	1,820	3,886	4,895
Stable gas condensate sales	2,629	-	3,203	-
Oil products sales	664	413	2,918	1,095
Liquefied petroleum gas sales	601	-	758	-
Total oil and gas sales	**9,869**	**4,816**	**27,638**	**15,163**

Stable gas condensate and liquefied petroleum gas sales comprise the output from the Group's Purovsky Gas Condensate Plant, which commenced operations in June 2005.

5 TRANSPORTATION EXPENSES

	Three months ended 30 September:		Nine months ended 30 September:	
	2005	**2004**	**2005**	**2004**
Gas transportation to customers	1,177	594	3,562	1,888
Crude oil transportation to customers	30	172	339	530
Oil products, stable gas condensate and liquefied petroleum gas transported by railroad	479	19	757	69
Insurance expense	65	51	231	222
Other internal transportation costs	125	51	302	156
Total transportation expenses	**1,876**	**887**	**5,191**	**2,865**

(in Russian roubles (tabular amounts in millions), unless otherwise stated)

6 PROPERTY, PLANT AND EQUIPMENT

	Operating assets	Assets under construction	Total
Cost	54,765	8,596	63,361
Accumulated depreciation, depletion and amortization	(912)	-	(912)
Net book value at 31 December 2004	**53,853**	**8,596**	**62,449**
Additions	794	3,528	4,322
Transfers	7,918	(7,918)	-
Disposals and impairments, net	(64)	(17)	(81)
Depreciation, depletion and amortization	(2,607)	-	(2,607)
Cost	63,402	4,189	67,591
Accumulated depreciation, depletion and amortization	(3,508)	-	(3,508)
Net book value at 30 September 2005	**59,894**	**4,189**	**64,083**

Included in additions to property, plant and equipment for the nine months ended 30 September 2005 and 2004 is capitalized interest of RR 538 million and RR 393 million, respectively.

The transfers to operating assets primarily represent the capitalized costs associated with the Purovsky Gas Condensate Plant, which commenced operations in June 2005.

7 SHORT-TERM DEBT AND CURRENT PORTION OF LONG-TERM DEBT

	30 September 2005	31 December 2004
Russian rouble denominated loans	120	3,680
US dollar denominated loans	1,358	-
Loans from related parties	-	425
Promissory notes issued	-	1,275
Total	**1,478**	**5,380**
Add: current portion of long-term debt	8,646	5,388
Total short-term debt and current portion of long-term debt	**10,124**	**10,768**

Russian rouble denominated loans. Short-term Russian rouble denominated loans had a weighted average interest rate of 12 percent and 10.5 percent (interest ranging from 8.8 to 12 percent) at 30 September 2005 and 31 December 2004, respectively. During the nine months ended 30 September 2005, the Group repaid loans to Sberbank in the amount of RR 2,650 million.

US dollar denominated loans. Short-term US dollar denominated loans had a weighted average interest rate of 7.2 percent (interest ranging from 7.1 to 7.3 percent) at 30 September 2005.

In February 2005, the Group borrowed RR 196 million (USD 7 million) from International Moscow Bank. The loan bears interest of LIBOR plus 4.25 percent, which was decreased in August 2005 to LIBOR plus 3.5 percent, and is repayable in January 2006. In June 2005, the Group borrowed an additional RR 572 million (USD 20 million) with an annual interest rate of LIBOR plus 3.5 percent, and is repayable in June 2006.

In May 2005, the Group borrowed RR 253 million (USD 9 million) from ZAO Standard Bank. The loan bears interest of LIBOR plus 3.25 percent, and is repayable in May 2006.

(in Russian roubles (tabular amounts in millions), unless otherwise stated)

7 SHORT-TERM DEBT AND CURRENT PORTION OF LONG-TERM DEBT (CONTINUED)

During the nine months ended 30 September 2005, the Group borrowed two loans totalling RR 699 million (USD 25 million) from BNP Paribas of which RR 376 million (USD 13.3 million) was repaid. The loans bear interest of LIBOR plus 3.5 percent, and are repayable between February and May 2006.

Loans from related parties. At 31 December 2004, loans from related parties included a US dollar denominated loan from the Yamal Regional Fund of Development, at that time a Group shareholder, in the amount of RR 425 million (USD 15.3 million). The loan bore interest of 10 percent per annum and was fully repaid in February 2005.

Promissory notes. At 31 December 2004, promissory notes consisted of Tarkosaleneftegas promissory notes which were denominated in Russian roubles and repayable within one year of the issuance. During the nine months ended 30 September 2005, the outstanding promissory notes were fully repaid.

8 LONG -TERM DEBT

	30 September 2005	31 December 2004
US dollar denominated loans	8,944	11,586
Russian rouble denominated bonds	1,000	1,000
Euro denominated loans	130	-
Loans from related parties	-	1,497
Russian rouble denominated loans	-	4,537
Total	**10,074**	**18,620**
Less: current portion of long-term debt	(8,646)	(5,388)
Total long-term debt	**1,428**	**13,232**

At 30 September 2005 and 31 December 2004, long-term debt by facility comprised the following:

	30 September 2005	31 December 2004
C.R.R. B.V.	8,550	8,324
Vneshtorgbank	-	2,775
Sberbank	-	3,354
Yamal Regional Fund of Development	-	1,126
Finance Department of YNAO	-	1,130
Russian rouble denominated bonds	1,000	1,000
Other Russian rouble denominated loans	-	424
Other	524	487
Total	**10,074**	**18,620**
Less: current portion of long-term debt	(8,646)	(5,388)
Total long-term debt	**1,428**	**13,232**

C.R.R. B.V. In October 2005, the Group repaid RR 2,856 million (USD 100 million) of the US dollar denominated loan from ING Bank N.V. backed by unsecured, 18-month credit-linked notes, issued and assigned to C.R.R. B.V. in April 2004.

Vneshtorgbank. In August 2005, the Group fully repaid the US dollar denominated loan from Vneshtorgbank ahead of its maturity schedule and the Group's 26 percent participation interest in Tarkosaleneftegas was released from an associated pledge.

(in Russian roubles (tabular amounts in millions), unless otherwise stated)

8 LONG -TERM DEBT (CONTINUED)

Sberbank. During the nine months ended 30 September 2005, the Group obtained additional loans for RR 547 million. As of 30 September 2005, all loans from Sberbank had been fully repaid ahead of their respective maturity schedule. Of the RR 3,901 million repaid, RR 600 million was repaid ahead of schedule and the Group's 2.5 percent share in Tarkosaleneftegas has been released from an associated pledge.

Yamal Regional Fund of Development. In February 2005, the Group received an additional five-year loan in the amount of one billion roubles with a stated interest rate of 10 percent. The proceeds from the loan were used for the construction of the Purovsky Gas Condensate Plant. In June 2005, the loan was fully repaid ahead of its maturity schedule.

In March 2005, the Group repaid RR 1,053 million of the loan outstanding at 31 December 2004, and the Group's 31 percent participation interest in Yurkharovneftegas was released from an associated pledge.

In April 2005, the Group received an additional five-year loan in the amount of RR 500 million with a stated interest rate of 10 percent. In June 2005, the loan was fully repaid ahead of its maturity schedule.

In June 2005, the Group repaid a loan in the amount of RR 155 million outstanding as at 31 December 2004.

Finance Department of YNAO. In August 2005, the Group fully repaid the Russian rouble denominated loan from the Finance Department of YNAO ahead of its maturity schedule and the Group's 4.7 percent participation interest in Tarkosaleneftegas was released from an associated pledge.

Other Russian rouble denominated loans. In January 2005, the outstanding loans in the amount of RR 371 million from Pur-Land, a related party, were fully repaid.

Scheduled maturities of long-term debt at 30 September 2005 were as follows:

Twelve months ended 30 September:	
2007	1,161
2008	128
2009	107
2010	32
Total long-term debt	**1,428**

9 TAXES

The Group is subject to a number of taxes other than on income, which are detailed as follows:

	Three months ended 30 September:		**Nine months ended 30 September:**	
	2005	**2004**	**2005**	**2004**
Unified natural resources production tax	1,080	287	3,284	900
Property tax	70	21	225	63
Excise tax	20	24	102	59
Other taxes	46	41	80	39
Subtotal	1,216	373	3,691	1,061
Less: reversal of provision for additional taxes	-	-	(427)	-
Total taxes other than income tax	**1,216**	**373**	**3,264**	**1,061**

(in Russian roubles (tabular amounts in millions), unless otherwise stated)

9 TAXES (CONTINUED)

Unified natural resources production tax. Taxes other than income tax for the three and nine months ended 30 September 2005 included RR 2,107 million and RR 720 million, respectively, of unified natural resources production tax attributable to the Group's subsidiaries Tarkosaleneftegas and Khancheyneftegas which were acquired in December 2004.

Effective income tax rate. The Group's statutory income tax rate in 2005 and 2004 is 24 percent. For the nine months ended 30 September 2005 and 2004, the Group's effective income tax rate was 25.8 percent and 29.4 percent, respectively. For the three months ended 30 September 2005 and 2004, the Group's effective income tax rate was 27.7 percent and 24.6 percent, respectively.

Reversal of provision for additional taxes. During 2004, the Russian tax authorities' position on calculating the tax basis for unified natural resources production tax on gas condensate differed from how the Group calculated the tax. As a result, through 31 March 2005, the Group recorded provisions for additional taxes in excess of its declarations submitted to the tax authorities. In July 2005, a revised methodology on calculating the unified natural resources production tax on gas condensate was enacted. The revision supported the Group's methodology and is effective 1 January 2004. Accordingly, the Group reversed its previously recorded provisions of RR 427 million as of 1 April 2005.

10 RELATED PARTY TRANSACTIONS

During 2004, the Group had significant activities with companies related to its shareholders in connection with purchases and sales of crude oil, natural gas, gas condensate, construction and other related services, and purchases and sales of equity securities. The Group's reported results of operations, financial position and cash flows would have been different had such transactions been carried out amongst unrelated parties. Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be affected on the same terms, conditions and amounts as transactions between unrelated parties.

Subsequent to the acquisition of Tarkosaleneftegas and Khancheyneftegas in December 2004 (see Note 1), the acquired subsidiaries' activities were consolidated into the Group's financial position and results of operations. Accordingly, all purchases from, sales to and balances with the acquired subsidiaries have been eliminated in the Group's consolidated balance sheets at 30 September 2005 and 31 December 2004, and in the Group's consolidated statement of income for the three and nine months ended 30 September 2005. Such activities are presented on a gross basis in the Group's consolidated statement of income for the three and nine months ended 30 September 2004.

Purchases and sales of crude oil:

	Three months ended 30 September:			
	2005		**2004**	
Name of related party	Sales volumes (thousands of tons)	Russian roubles (millions)	Sales volumes (thousands of tons)	Russian roubles (millions)
Sales to Kerden Trading Limited	22	157	74	403
Sales to TNG Energy	-	-	28	169
Purchases from Tarkosaleneftegas	-	-	93	149
Purchases from Khancheyneftegas	-	-	143	229
Purchases from Geoilbent (until June 2005)	-	-	63	155

	Nine months ended 30 September:			
	2005		**2004**	
Name of related party	Sales volumes (thousands of tons)	Russian roubles (millions)	Sales volumes (thousands of tons)	Russian roubles (millions)
Sales to Kerden Trading Limited	97	616	311	1,521
Sales to TNG Energy	86	492	28	169
Purchases from Tarkosaleneftegas	-	-	256	410
Purchases from Khancheyneftegas	-	-	375	599
Purchases from Geoilbent (until June 2005)	219	562	253	661

(in Russian roubles (tabular amounts in millions), unless otherwise stated)

10 RELATED PARTY TRANSACTIONS (CONTINUED)

Sales of stable gas condensate:

During the three and nine months ended 30 September 2005, the Group sold 307 thousand tons for RR 2,619 million and 394 thousand tons for RR 3,190 million to Kerden Trading Limited, respectively.

Purchases of natural gas:

	Three months ended 30 September:			
	2005		2004	
Name of related party	Sales volumes (millions of m^3)	Russian roubles (millions)	Sales volumes (millions of m^3)	Russian roubles (millions)
Purchases from Tarkosaleneftegas	-	-	774	243
Purchases from Khancheyneftegas	-	-	606	253

	Nine months ended 30 September:			
	2005		2004	
Name of related party	Sales volumes (millions of m^3)	Russian roubles (millions)	Sales volumes (millions of m^3)	Russian roubles (millions)
Purchases from Tarkosaleneftegas	-	-	4,300	1,298
Purchases from Khancheyneftegas	-	-	1,659	692

Balances with related parties:

	30 September 2005	31 December 2004
Prepayments and advances (for construction)	94	235
Other non-current assets	60	70
Long-term loans receivable	165	7,694
Prepayments and advances	16	30
Trade and other receivables	1,003	606
Interest receivable	22	42
Short-term loans receivable	92	251
Cash and cash equivalents	248	-
Long-term debt	-	1,497
Short-term debt	-	425
Trade and other payables	178	147

Long-term loans receivable. At 31 December 2004, long-term loans receivable included a US dollar denominated loan to Levit, a Group shareholder, in the amount of USD 270 million (RR 7,492 million). The loan was unsecured, bore interest of 10 percent and was fully repaid in July 2005 ahead of its maturity schedule, including interest accrued during the nine months ended 30 September in the amount of RR 434 million.

Other transactions with related parties:

	Three months ended 30 September:		Nine months ended 30 September:	
	2005	2004	2005	2004
Sales of inventory and oil products	99	3	117	142
Interest expense	-	26	64	61
Interest income	68	102	460	288
Construction services sales	-	-	-	209
Purchases of construction services	154	-	530	218

(in Russian roubles (tabular amounts in millions), unless otherwise stated)

11 DISPOSALS

In May 2005, the Group disposed of its equity stake in NOVA Bank to Levit, a Group shareholder, for RR 156 million, recognizing a gain on the sale of RR 12 million, net of associated income tax of RR 8 million. The disposal of NOVA Bank did not have a material effect on the Group's financial position and results of operations. NOVA Bank's financial position and results of operations were included within "Other" in the Group's segment information.

In June 2005, the Group sold its 66 percent participation interest in Geoilbent to OAO LUKOIL and its subsidiary for RR 5,108 million, recognizing a gain on sale of RR 2,234 million, net of associated income tax of RR 793 million. The Group included its investment in Geoilbent within "Exploration and production" in the Group's segment information.

In June 2005, the Group sold its 34 percent interest in Selkupneftegas to OAO NK Rosneft for RR 573 million, recognizing a gain on sale of RR 436 million, net of associated income tax of RR 137 million. As the Group's carrying value for its investment in Selkupneftegas was nil, the full amount of the sales proceeds was recognised as a gain.

In June 2005, the Group disposed of its 25.1 percent interest in Tambeyneftegas to OOO Gazprombank-Invest for RR 120 million, recognizing a gain on sales of RR 4 million, net of associated income tax of RR 7 million. The Group included its investment in Tambeyneftegas within "Exploration and production" in the Group's segment information.

12 SEGMENT INFORMATION

The Group operates principally in the oil and gas industry in the Russian Federation. The Group evaluates performance and makes investment and strategic decisions based upon a review of profitability for the Group as a whole. However, the Group's activities are considered by management to comprise one geographic segment and, for the period to September 2005 (see Note 1), the following business segments:

- Exploration and production – exploration, production, processing, marketing and transportation of oil and gas;
- Oil and gas construction services – drilling and construction of oil and gas infrastructure and facilities (discontinued from 30 June 2004 – see Note 1);
- Corporate and other – other activities, including head office services, banking and telecommunications (in May 2005, the Group sold its interest in its banking subsidiary – see Note 1).

Segment information for the three months ended 30 September 2005 was as follows:

	Exploration and production	Other	Total
Segment revenues			
External revenues and other income	9,854	388	10,242
Inter-segment sales	9	-	9
Total segment revenues	**9,863**	**388**	**10,251**
Segment result	**4,544**	**91**	**4,635**

Segment information for the nine months ended 30 September 2005 was as follows:

	Exploration and production	Other	Total
Segment revenues			
External revenues and other income	27,634	975	28,609
Inter-segment sales	13	-	13
Total segment revenues	**27,647**	**975**	**28,622**
Segment result	**12,424**	**248**	**12,672**

(in Russian roubles (tabular amounts in millions), unless otherwise stated)

12 SEGMENT INFORMATION (CONTINUED)

Segment information for the three months ended 30 September 2004 was as follows:

	Oil and gas construction services	Exploration and production	Other	Total
Segment revenues				
External revenues and other income	-	4,875	214	5,089
Inter-segment sales	-	-	-	-
Total segment revenues	**-**	**4,875**	**214**	**5,089**
Segment result	**-**	**1,984**	**164**	**2,148**

Segment information for the nine months ended 30 September 2004 was as follows:

	Oil and gas construction services	Exploration and production	Other	Total
Segment revenues				
External revenues and other income	2,053	15,240	890	18,183
Inter-segment sales	916	-	-	916
Total segment revenues	**2,969**	**15,240**	**890**	**19,099**
Segment result	**140**	**5,438**	**326**	**5,904**

All of the Group’s operating assets are located in the Russian Federation.

13 CONTINGENCIES AND COMMITMENTS

Operating environment. The Russian Federation continues to display some characteristics of an emerging market. These characteristics include, but are not limited to, the existence of a currency that is not freely convertible in most countries outside of the Russian Federation, currency controls, and relatively high inflation. The tax, currency and customs legislation within the Russian Federation is subject to varying interpretations, and changes, which can occur frequently.

While there have been improvements in the economic trends, the future economic direction of the Russian Federation is largely dependent upon the effectiveness of economic, financial and monetary measures undertaken by the government, together with tax, legal, regulatory, and political developments.

Guarantees and pledges. At 31 December 2004, the Group had pledged 32.2 percent share in Tarkosaleneftegas and 31 percent participation interest in Yurkharovneftegas as collateral for long-term borrowings. During the nine months ended 30 September 2005, the respective loans were repaid and the associated pledges were released (see Note 8).

At 30 September 2005 and 31 December 2004, the Group had pledged property, plant and equipment of nil and approximately RR 7,839 million, respectively.

Commitments. At 30 September 2005, the Group had entered into commitments aggregating approximately RR 1,146 million to complete the first phase and start the second phase of construction of the Purovsky Gas Condensate Plant throughout 2005 and 2006.

Taxation. Russian tax, currency and customs legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant regional and federal authorities. Recent events within the Russian Federation suggest that the tax authorities may be taking a more assertive position in its interpretation of the legislation and assessments. As a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

(in Russian roubles (tabular amounts in millions), unless otherwise stated)

13 CONTINGENCIES AND COMMITMENTS (CONTINUED)

Oilfield licenses. The Group is subject to periodic reviews of its activities by governmental authorities with respect to the requirements of its oilfield licenses. Management cooperates with governmental authorities to agree on remedial actions necessary to resolve any findings resulting from these reviews. Failure to comply with the terms of a license could result in fines, penalties or license limitation, suspension or revocation. The Group's management believes any issues of non-compliance will be resolved through negotiations or corrective actions without any materially adverse effect on the Group's financial position, statements of income or of cash flows.

The Group's oil and gas fields are situated on land belonging to the Yamal-Nenets Regional Administration. Licenses are issued by the Ministry of Natural Resources and the Group pays unified natural resources production tax to explore and produce oil and gas from these fields. The principal licenses of the Group and their expiry dates are:

Field	License holder	License expiry date
Yurkharovskoye	Yurkharovneftegas	2034
Khancheyskoye	Tarkosaleneftegas	2019
East-Tarkosalinskoye	Tarkosaleneftegas	2018

In July 2005, the Group re-registered its licence for the Khancheyskoye field from Khancheyneftegas in favor of Tarkosaleneftegas.

Management believes the Group has the right to extend its licenses beyond the initial expiration date under the existing legislation and intends to exercise this right. In February 2005, the Group was successful in extending the license for the Yurkharovskoye field from 2020 to 2034. As of the date of this report, the Group was preparing its application for the extension of the terms of the licenses for its two other core fields, East Tarkosalinskoye and Khancheyskoye.

Environmental liabilities. The Group and its predecessor entities have operated in the oil and gas industry in the Russian Federation for many years. The enforcement of environmental regulation in the Russian Federation is evolving and the enforcement posture of government authorities is continually being reconsidered. The Group periodically evaluates its obligations under environmental regulations and, as obligations are determined, they are recognized immediately, if no current or future benefit is discernible. Potential liabilities which might arise as a result of stricter enforcement of existing regulations, civil litigation or changes in legislation, cannot be estimated. Under existing legislation, management believes that there are no probable liabilities which will have a material adverse effect on the Group's financial position, statements of income or of cash flows.

Legal contingencies. During the period, the Group was involved in a number of court proceedings (both as a plaintiff and a defendant) arising in the ordinary course of business. In the opinion of management, there are no current legal proceedings or other claims outstanding, which could have a material effect on the result of operations or financial position of the Group and which have not been accrued or disclosed in the consolidated interim condensed financial information.

14 SHAREHOLDERS' EQUITY

At the Annual General Meeting of Shareholders on 10 June 2005, the Group's shareholders approved a dividend of RR 777 million (RR 256 per share). The dividend was paid to shareholders of record as of 25 April 2005.

On 31 October 2005, the Board of Directors recommended an interim dividend of RR 377 per share to be paid to shareholders of record as of 31 October 2005. This recommended interim dividend totaling RR 1,145 million is subject to approval by shareholders at the Extraordinary General Meeting of Shareholders scheduled for 14 December 2005.

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